



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

NOTICE OF FILING AND REQUEST FOR COMMENTS ON OFFER OF SETTLEMENT

D.T.E./D.P.U. 06-107

July 31, 2007

Petition of Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company requesting approval of a proposal to share benefits and costs relating to customer savings initiatives pursuant to a settlement approved in D.T.E. 05-85.

On November 22, 2006, Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company (together, "NSTAR Electric") filed for approval a petition seeking sharing of benefits and costs relating to customer savings initiatives pursuant to paragraphs 2.32 through 2.36 of a settlement approved by the Department of Public Utilities ("Department"), formerly known as the Department of Telecommunications and Energy, in NSTAR, D.T.E. 05-85 (2005) ("NSTAR Rate Settlement"). In the petition, which was docketed as D.T.E./D.P.U. 06-107, NSTAR Electric asserts that two completed Federal Energy Regulatory Commission ("FERC") proceedings involving the reliability must run proposals of Fore River Development, LLC (FERC Docket No. ER06-822-000) and Braintree Electric Light Department (FERC Docket No. EL06-48-000) resulted in customer savings across Massachusetts of over \$362 million. Of this total, NSTAR Electric contends that NSTAR Electric customers will save approximately \$134 million. Pursuant to the terms of the NSTAR Rate Settlement, NSTAR Electric originally proposed to recover 25 percent of the estimated customer savings, or \$33.5 million, over three years beginning in 2007. Accordingly, NSTAR Electric included \$9.8 million in its 2007 retail transmission rate, which was approved by the Department subject to investigation and reconciliation in NSTAR Electric, D.T.E. 06-108 (2006), to be effective January 1, 2007.

On July 24, 2007, NSTAR Electric and the Attorney General of the Commonwealth ("Attorney General") filed a motion seeking approval of a settlement agreement that purports to resolve certain issues related to this proceeding ("Offer of Settlement"). The Offer of Settlement proposes: (1) to reduce NSTAR Electric's share of customer savings from \$33.5 million over three years (\$9.8 million per year) to \$19 million over three years (\$6.3 million per year); (2) to amend retroactively section 2.35 of the NSTAR Rate Settlement by reducing NSTAR Electric's share in customer savings from 25 percent to 12.5 percent and increasing customers' share in savings from 75 percent to 87.5 percent to be effective as of December 30, 2005, the date the NSTAR Rate Settlement was approved; and (3) to accelerate

the development of renewable resources and promote more efficient price signals for electric service. NSTAR Electric represents that the Associated Industries of Massachusetts and the Low-Income Energy Affordability Network, the two other signatories to the NSTAR Rate Settlement, support the amendment to section 2.35 of the NSTAR Rate Settlement. In addition, NSTAR Electric represents that ISO New England Inc. ("ISO-NE"), neither supports nor objects to the Offer of Settlement. The Offer of Settlement expires by its terms on October 1, 2007, unless approved in its entirety.

The Offer of Settlement also requires NSTAR Electric to file a petition seeking approval: (1) to offer to its basic/default ("basic") service customers the opportunity to purchase electricity generated from renewable resources; and (2) to enter into two contracts for a total of 60 megawatts of renewable electricity supply and associated renewable energy certificates for a term of ten years, for use within its basic service supply portfolio (Offer of Settlement at § 2.5). Accordingly, on July 24, 2007, NSTAR Electric filed a separate petition seeking such approvals. The Department has docketed this matter as D.P.U. 07-64 and will issue a notice requesting comments on the proposed renewable energy power supply program and related contract approvals. Therefore, the Department will not consider comments on these proposals in the context of this proceeding.

Finally, the Offer of Settlement requires NSTAR Electric to file a proposal: (1) to study the benefits of implementing a portfolio of contracts for renewable resources of different maturities; and (2) to establish a dynamic pricing pilot program that will be available to all residential and small commercial and industrial customers on a voluntary basis (Offer of Settlement at §§ 2.5, 2.7, 2.8). As the Department will consider these proposals at the time they are filed, comments on these proposals will not be considered in the context of this proceeding.

Any person who seeks to comment on the Offer of Settlement may submit written comments to the Department no later than the close of business (5:00 p.m.) on **Friday, August 24, 2007**. Written reply comments must be filed no later than 5:00 p.m. on **Friday, August 31, 2007**. One original and eight (8) copies of all written documents must be filed with Mary L. Cottrell, Secretary, Department of Public Utilities, One South Station, 2nd Floor, Boston, Massachusetts 02110. In addition, one copy of all written documents must be sent to counsel for the following: (1) NSTAR Electric, Robert N. Werlin, Keegan Werlin LLP, 265 Franklin Street, Boston, Massachusetts 02110-3113; (2) Attorney General, Alexander J. Cochis, Office of the Attorney General, One Ashburton Place, Boston, Massachusetts 02108; (3) ISO-NE, Eric J. Krathwohl, Rich May, P.C., 176 Federal Street, Boston, Massachusetts 02110-2223; (4) International Brotherhood of Electrical Workers, Local 103, Paul Gromer, Paul Gromer, LLC, 151 Merrimac St., Suite 660, Boston, Massachusetts 02114; (5) Cape Light Compact, Jeffrey M. Bernstein, Bernstein, Cushner & Kimmell, P.C., One Gateway Center, Suite 851, Newton, MA 02458; and (6) Retail Energy Supply

Association, Robert J. Munnelly, Jr., Murtha Cullina LLP, 99 High St. 20th Floor, Boston, MA 02110-2320.

All documents also should be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to dpu.efiling@state.ma.us and Shaela.Collins@state.ma.us, or (2) on a 3.5" disk or CD-ROM. The text of the e-mail, disk label, or CD-ROM must specify: (1) the docket number of the proceeding (D.T.E./D.P.U. 06-107), (2) name of the person or company submitting the filing, and (3) a brief descriptive title of the document. The electronic filing should also include the name, title and telephone number of a person to contact in the event of questions about the filing. Text responses should be created in either Corel WordPerfect, Microsoft Word, or Adobe Acrobat. Data or spreadsheet responses should be compatible with Microsoft Excel. The Department is unable to accept scanned files (including scanned "pdf" files) at this time. All documents submitted in electronic format will be posted on the Department's website: <http://www.mass.gov/dpu>.

Copies of NSTAR Electric's filings are available for public inspection during regular business hours at NSTAR Electric's offices, 800 Boylston Street, Boston, Massachusetts 02199. The Department's files are available for public inspection during regular business hours at the Department's offices, One South Station - 2nd Floor, Boston, Massachusetts 02110. In addition, electronic filings are available on the Department's website, <http://www.mass.gov/dpu>.